

LAWRENCE A. WRIGHT
COMMISSIONER OF TAXES



STATE OF VERMONT
DEPARTMENT OF TAXES
MONTPELIER
05602

July 24, 1969

TO: Wholesalers and Suppliers
FROM: Vermont Department of Taxes, Sales Tax Division
RE: Vermont Sales and Use Tax

The Vermont Sales and Use Tax Law defines retail sale in Section 9421 (5) to mean "the sale of tangible personal property to all contractors, subcontractors or repairmen of materials and suppliers for use by them in erecting structures for others, or building on, or otherwise improving, altering, or repairing real property of others." Therefore, even though the supplier may be selling wholesale to a contractor, it is considered a retail sale. The wholesaler should collect a tax from the contractor on his purchases. The contractor is allowed to absorb this extra cost into the charge to his customer.

If a contractor is involved in a retail business, that is, if he sells merchandise over a counter or in a store, then he is allowed to buy the materials tax free for resale. He is then liable for collecting the 3% tax when he makes the sale.

Therefore, wholesalers and suppliers should collect a sales tax from all contractors on their materials unless they have a retail store and are buying for resale.

I hope that this information will be of some help to you. If we can be of any further assistance, feel free to write to the Sales and Use Tax Division, State of Vermont, P.O. Box 547, Montpelier, Vermont 05602.



State of Vermont
Department of Taxes
133 State Street
Montpelier, VT 05633-1401

Agency of Administration

February 19, 2013

Name
Address
City, State, Zip

Dear Sir or Madam,

It has come to the Department's attention that there may be some confusion regarding the sales tax treatment of contractors. The purpose of this letter is to explain your Vermont sales tax responsibilities when making a sale to contractors.

When purchasing tangible personal property in Vermont, contractors are responsible for paying Vermont sales tax at the time of the sale. Contractors may not use a resale exemption certificate, and sellers may not rely on resale exemption certificates provided by contractors.

If a contractor attempts to provide you with a resale certificate, you should not accept it. You can also provide them with a copy of the enclosed card explaining their sales tax responsibilities.

We urge you to contact the Department if you are currently accepting resale certificates from contractors. The Department will work with you to determine the best way to ensure that you are in compliance with the law.

Thank you for your assistance in ensuring proper tax compliance. If you have any questions regarding your tax responsibilities when dealing with contractors, please contact the Department at (802) 828-2551.

Sincerely,

Michael K. Costa





State of Vermont
Department of Taxes
133 State Street
Montpelier, VT 05633-1401

Agency of Administration

February 19, 2013

Name
Address
City, State, Zip

Dear Sir or Madam,

It has come to the Department's attention that there may be some confusion regarding the sales tax responsibilities of contractors. The purpose of this letter is to explain your Vermont sales tax responsibilities.

CONTRACTORS CANNOT USE RESALE EXEMPTION CERTIFICATES

When purchasing tangible personal property in Vermont, contractors are responsible for paying the Vermont sales tax at the time of the sale. Contractors may not use a resale exemption certificate. For items purchased tax free in another state or tax-free for any other reason, contractors are required to remit use tax on the item at the time it is used in Vermont.

CONTRACTORS SHOULD PASS THE COST OF THE GOOD, INCLUDING TAX TO THEIR CUSTOMER

A contractor should not charge sales tax to his customer at the time items are used. The contractor may charge the customer the cost of the item plus the sales tax previously paid and invoices supplied to the customer may include the following statement: "The contractor has paid all applicable Vermont taxes on materials used for this job."

SOME CONTRACTORS MAY NEED TO ADDRESS UNTAXED INVENTORY

Contractors using a resale certificate in the past likely owe Use Tax on their inventory. The Department's goal is to recoup all tax that is owed without placing an undue burden on contractors. The Department has identified three ways for these contractors to come into compliance with the Tax Department.

1. Remit Use Tax on such untaxed items when they are removed from inventory, without interest or penalty, and pay tax on all items going forward.
2. Calculate the value of inventory as of a certain date and remit the Use Tax on all inventory.
3. Calculate the value of inventory, and pay the Use Tax in equal portions over 12 months.

Thank you for your assistance in ensuring proper tax compliance. If you have any questions regarding your tax responsibilities, please contact the Department at (802) 828-2551.

Sincerely,

Michael K. Costa



Sales Tax Imposed on Contracting Work by Fuel Dealers

Act 174 of 2013 expanded the types of tangible personal property to which the Vermont sales tax applies. Sales tax is now imposed on tangible personal property “used to improve, alter, or repair the real property of others by . . . any person who is primarily engaged in the business of making retail sales of tangible personal property.” 32 V.S.A. § 9771(1). Fuel is tangible personal property. 32 V.S.A. § 9701(7). Therefore, a business that primarily sells fuel is a business “primarily engaged in the business of making retail sales of tangible personal property.”

If 51% or more of your sales are retail sales of fuel and other types of tangible personal property, you are required to collect and remit sales tax on tangible personal property used in contracting jobs, such as furnace maintenance and repair. You may use an exemption certificate when purchasing fuel and other tangible personal property from a supplier. Previously, use tax applied to tangible personal property used in contracting jobs done by retailers. However, use tax does not apply when sales tax has been paid. 32 V.S.A. § 9773. You are no longer required to pay use tax for property used in contracting jobs because sales tax is now paid by your customer and collected by you.

If your business primarily does contracting work, or if it sells tangible personal property but 50% or less of your sales are retail sales, you are required to pay sales tax when you purchase tangible personal property to be used in a contracting job. You cannot use a resale exemption certificate. You may note on the invoice that you have paid all applicable Vermont taxes on the personal property installed. You are required to pay use tax if you did not pay sales tax at the time you purchased the tangible personal property installed.

Supply Warehouse



Fuel Dealer/Contractor Invoice

Supply Warehouse Inc.	
Furnace	\$5,000
Parts	\$1,000
Total	\$6,000

Fuel Dealer/Contractor



Customer Invoice

ABC Fuel and Service Inc.	
Furnace	\$5,000
Parts	\$1,000
VT Sales Tax	\$360
Labor	\$1,000
Total	\$7,360

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Supply Warehouse



Fuel Dealer/Contractor Invoice

Supply Warehouse Inc.	
Furnace	\$5,000
Parts	\$1,000
VT Sales Tax	\$360
Total	\$6,360

Fuel Dealer/Contractor



Customer Invoice

ABC Fuel and Service Inc.	
Furnace	\$5,300
Parts	\$1,060
Labor	\$1,000
Total	\$7,360

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present

Supply Warehouse



Fuel Dealer Invoice

Supply Warehouse Inc.	
Furnace	\$5,000
Parts	\$1,000
Total	\$6,000



Customer Invoice

ABC Fuel and Service Inc.	
Furnace	\$5,000
Parts	\$1,000
VT Sales Tax	\$360
Labor	\$1,000
Total	\$7,360

Contractor Invoice

Supply Warehouse Inc.	
Furnace	\$5,000
Parts	\$1,000
VT Sales Tax	\$360
Total	\$6,360



Customer Invoice

XYZ Heating Service Inc.	
Furnace	\$5,300
Parts	\$1,060
Labor	\$1,000
Total	\$7,360

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